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ABSTRACT

Under Alabama law, the State Department of Revenues maintains a trust fund from which all allocations to state educational institutions are made. In the event of a shortfall in the trust fund, the governor is required to prorate payments to educational institutions by the percentage of that shortfall. Since 1938, proration of the funds for public education has occurred during several periods, at rates ranging from 2.76% to 14.14%. In 1980-81, in anticipation of continuing proration, a study was conducted to determine its effects on Alabama's two-year postsecondary educational institutions. Chief executive officers of Alabama's community and junior colleges and technical institutes were surveyed to determine the effects of proration on institutional budgets, personnel, and programs. Responses from 42 chief executive officers indicated that instruction was the budgetary category most affected by proration-induced budget reductions, with funds for travel, equipment, and supplies for instructional units reduced at rates ranging from 27% to 46%. Other proration-induced effects were seen in increased student-teacher ratios, reductions in non-instructional staff, and reductions ranging between 20% and 26% in regular and summer term classes. Until the funding of educational institutions is on more sure footing, it is incumbent upon college presidents and directors to prepare financial contingency plans and intensify searches for additional sources of income. (HB)

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PRORATION--ITS EFFECTS ON TWO-YEAR POSTSECONDARY EDUCATIONAL INSTITUTIONS IN ALABAMA.

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PRORATION--ITS EFFECTS ON TWO-YEAR POSTSECONDARY EDUCATIONAL INSTITUTIONS IN ALABAMA

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For Alabama's system of community, junior, and technical colleges and technical institutes--also known as Alabama's two-year postsecondary educational system--it has become all too apparent in the past three years that the funds so vitally needed to fulfill institutional missions have at least been temporarily curtailed. The hiring of additional full-time instructional staff to meet state requirements, the building of new facilities to keep pace with growing enrollments, the equipping of new buildings and the updating of equipment of existing facilities to maintain the pace with advancing technology, the adding of new programs of study and the changing of existing programs of study to address further the economic, cultural, and social concerns of the community have all been at least temporarily curtailed by the reduction of educational funds resulting from proration.

Proration is not new to Alabama's educational institutions. Since 1938, proration of the funds for public education occurred during the fiscal years of 1949-50 and 1950-51 at the rates of 4.8% and 1.0%, respectively. Prior to the end of the decade of the 1950s, proration was declared again. Funds for public education in Alabama were affected five years in succession beginning in fiscal year 1956-57 as the result of insufficient revenues in the Alabama Special Education Trust Fund (ASETF) to match the legislative appropriation. During the period from 1957 through 1961, public education funds were cut dramatically as depicted in Table 1.

Table 1

Amount and Percentage of Proration by Fiscal Year

Year	Amount of Proration	Percentage
1956-57	$ 2,993,577	2.76
1957-58	8,882,897	7.82
1958-59	4,653,255	3.54
1959-60	11,608,825	8.35
1960-61	19,791,255	14.14

More recently, in fiscal year 1978-79, the proration of educational funds was at a rate of 2.98%. As the 1979-80 fiscal year ended, proration had been increased from an

early estimate of 4.2% to an actual rate of 7.0% (McBride, 1980). Also, during FY 1980-81, the percentages of proration of state appropriations fluctuated as they did the previous year. The figures changed from 5% at the beginning of the year to 10% later during the year and finally rested at 3.56% as the fiscal year ended ("School Proration," 1981).

Although many of Alabama's technical colleges and institutes were no doubt affected by the proration of state appropriations during the years of 1949 through 1951 and again in 1957 through 1961, the state's community and junior colleges experienced proration for the first time in FY 1978-79. The community/junior college network was established after those early years of proration. Legislative action created the junior college network in 1963.

Alabama's two-year postsecondary educational system survived the 2.98% proration of state appropriations for FY 1978-79 with hopes of better funding reports for the succeeding year. However, those reports did not materialize. FY 1979-80 saw proration declared at a rate of 7%.

In FY 1980-81, an early response to reports of continuing proration was the reduction of institutional budgets by a percentage which approximated the rate of proration of the preceding fiscal year--7%. Therefore, an investigation of the effects of proration on Alabama's two-year postsecondary educational institutions became the impetus for a recent study (Searcy, 1981).

The study included responses from chief executive officers (CEOs) of 42 of the 43 two-year postsecondary institutions in Alabama. The purpose of the investigation was to determine the points at which the effects of proration were most marked relative to changes in institutional budgets, personnel, and programs.

The CEOs, in responding to questions about the effects of proration (Table 2), were in agreement on the rank order of decreases in institutional budgetary expenditures for FY 1980-81 as indicated by a Kendall's coefficient of concordance of +0.88 which produced a $\underline{X}^2$ value of 44.62, d.f. = 17, significant at $\underline{p} < .05$.

CEOs reported changes in budgetary expenditures which impacted their institutions' primary purpose--instruction. Community college CEOs reported cuts in travel funds for instructional units by 46%, in equipment funds for instructional purposes by 36%, and in supply funds for instructional units by 35%.

Junior college CEOs reported reductions in travel funds for instructional units by 45%, in equipment funds for instructional units by 40%, and in supply funds for instructional units by 34%. Likewise, technical college and institute CEOs reported significant reductions in instruction-related budgetary items. These CEOs cut travel funds for instructional units by 36%, equipment for instructional units by 32%, and supplies for instructional units by 27%.

Table 2

Percentage and Rank Order of Decreases in Budgetary Items of Community, Junior, and Technical Colleges Due to Proration for FY 1980-81

Item No.	Functional Subcategory	Community Colleges		Junior Colleges		Technical Colleges	
		%	Rank	%	Rank	%	Rank
5	Instructional travel	46.0	1.0	45.0	1.0	36.0	1.0
4	Instructional equipment	36.0	2.0	40.0	2.0	32.0	3.0
3	Instructional supplies	35.0	3.0	34.0	5.0	27.0	7.0
31	Administrative offices equipment	32.0	4.0	29.0	8.5	21.0	11.0
14	Audiovisual services equipment	30.0	5.0	39.0	3.0	30.0	5.0
16	Student services equipment	26.0	6.0	36.0	4.0	35.0	2.0
30	Administrative offices supplies	25.0	7.5	27.0	12.0	14.0	16.0
33	Institutional promotion	25.0	7.5	26.0	14.0	22.0	9.5
15	Student services supplies	24.0	10.0	29.0	8.5	22.0	9.5
32	Instructional equipment maintenance	24.0	10.0	25.0	15.0	18.0	12.0

Table 2 (Continued)

Item No.	Functional Subcategory	Community Colleges		Junior Colleges		Technical Colleges	
		%	Rank	%	Rank	%	Rank
34	Preventive maintenance	24.0	10.0	28.0	10.0	17.0	13.0
36	Landscape and grounds equipment	22.0	12.0	33.0	6.5	29.0	6.0
12	Library acquisitions	21.0	13.0	27.0	12.0	31.0	4.0
13	Audiovisual services supplies	20.0	15.0	33.0	6.5	26.0	8.0
21	Student transportation service	20.0	15.0	21.0	17.0	15.0	15.0
39	Custodial services equipment	20.0	15.0	27.0	12.0	16.0	14.0
29	Printed promotional items	18.0	17.5	18.0	18.0	13.0	17.0
38	Custodial services supplies	18.0	17.5	24.0	16.0	11.0	18.0

Since instruction is the primary thrust of the two-year system, one naturally would expect that CEOs would take precautions, through careful planning, to avoid budget cuts which would impact their instructional programs. Instead, instruction was the budgetary category affected most severely by proration-induced budget reductions. CEOs reported that funds for travel, equipment, and supplies in the instructional area were reduced greatly because of proration.

During FY 1979-80 and 1980-81, Alabama's governor mandated a temporary "freeze" on in-state and out-of-state travel funds. Instructional personnel were not to be reimbursed for travel from state funds. Many CEOs, knowing that travel was being restricted severely by the governor, took this opportunity to reduce the budgeted monies for instructional travel as a relatively simple method of budget reduction.

Other major expenditure cut-backs were in the purchase of instructional equipment and supplies. Since instruction is the largest budget category in two-year colleges, CEOs' abrupt reaction in reducing the instructional equipment and supplies monies had the effect of decreasing the institutional budget rapidly and considerably. Under pressure to reduce institutional budgets drastically (typically, a 10% reduction), CEOs may have focused upon this largest category of budgeted funds in order to carve out sizeable decriments.

Instructional programs and personnel of the two-year system were affected by proration of state appropriations in other ways. Although there was no significant statistical agreement among the rankings of items, an increase in the student-teacher ratio was high in the rankings for each of the types of institutions. CEOs reported their institutions had affected increases in the student-teacher ratios by percentages which caused this item to be ranked first for community colleges, fourth for junior colleges, and second for technical colleges and institutes.

Increasing the student-teacher ratio reduced the need for employing additional faculty personnel and for replacing those faculty persons lost by attrition. Since there is no state policy or standard regarding student-teacher ratios, increases in class size were limited only by the availability of space, equipment, and administrative prerogative. A quick implementation of this decision was also an important consideration.

The CEOs also responded to questions concerning the effects of proration on changes in personnel utilization within their institutions. The data resulting from their responses are presented in Table 3 in personnel utilization of community, junior, and technical colleges because of proration for FY 1980-81.

Community college CEOs reported that proration primarily affected their personnel who are classified as clerical and secretarial. Some administrative personnel

Table 3

Percentage and Rank Order of Changes Reported by CEOs in Personnel Utilization of Community, Junior, and Technical Colleges Due to FY 1980-81 Proration

Item No.	Functional Subcategory	Community Colleges		Junior Colleges		Technical Colleges	
		%	Rank	%	Rank	%	Rank
1	Student-teacher ratio (increase)	30.8	1.0	19.6	4.0	19.8	2.0
24	Full-time clerical	30.0	2.0	11.0	7.5	4.0	8.5
23	Part-time secretarial	24.0	3.0	6.0	11.0	16.0	3.0
22	Part-time clerical	22.0	4.0	8.0	10.0	14.0	4.0
28	Administrative	21.0	5.0	17.0	5.0	3.0	10.5
37	Landscape and grounds maintenance	20.0	6.0	30.0	1.5	20.0	1.0
35	Building maintenance	17.0	7.0	23.0	3.0	8.0	6.0
40	Custodial	16.0	8.0	30.0	1.5	12.0	5.0
26	Full-time sounselors	11.0	9.5	10.0	9.0	5.0	7.0
27	Full-time faculty	11.0	9.5	12.0	6.0	3.0	10.5
25	Full-time secretarial	10.0	11.0	11.0	7.5	4.0	8.5

(21%) were cut in community colleges. Full-time faculty persons were affected less by proration in community colleges in that CEOs reported an 11% reduction in this group.

Junior college CEOs responded with changes in personnel in their institutions with reductions among the personnel classified as landscape and grounds maintenance, building maintenance, and custodial. This reduction in force of maintenance and custodial persons left only those essential for the care of the plant. Least affected in the junior colleges were part-time secretarial and clerical personnel.

Technical college and institute CEOs reported that part-time secretarial and clerical and landscape and grounds maintenance personnel were those most affected by proration. Least affected were full-time faculty and administrative personnel.

In none of the institutions was there drastic reductions of full-time faculty or counseling persons due to the effects of proration during FY 1980-81. This factor is significant since most authorities agree that professional personnel should be reduced only as a last resort. It is obvious from the percentages presented in Table 3 that some of the CEOs of two-year institutions felt the effects of proration to the extent that full-time faculty persons were released.

Finally, CEOs responded to questions concerning the effects of proration on institutional programs. Included within this section of the study were items which required

consideration of reductions in regular term day classes, summer session classes, evening program classes, and community service program offerings (Table 4).

Table 4

Percentage and Rank Order of Decreases in Programmatic Utilization of Community, Junior, and Technical Colleges Due to Proration for FY 1980-81

Item No.	Functional Subcategory	Community Colleges		Junior Colleges		Technical Colleges	
		%	Rank	%	Rank	%	Rank
7	Regular term classes	21.0	1.0	13.0	3.0	8.0	2.0
9	Summer session classes	20.0	2.0	26.0	1.0	5.0	4.0
8	Evening program classes	12.0	3.0	12.0	4.0	6.0	3.0
10	Community service programs	10.0	4.0	21.0	2.0	21.0	1.0

CEOs of community colleges indicated reductions of regular term day classes by 21% and summer session classes by 20%. CEOs of junior colleges reported the greatest reductions in summer session classes and community service programs with 26% and 20%, respectively. CEOs of technical institutions reported little change in the regular, summer, and evening program classes but a reduction of 21% in community service program offerings.

The increase in the student-teacher ratios combined with the reductions in the number of classes offered obviously reduced costs and enhanced the CEOs' abilities to deal with proration. However, if the CEOs had added a third element, temporarily increasing by one the number of class sections each instructor would teach, they could have further enhanced the institutions' ability to cope with proration.

The proration of state educational appropriations is an everpresent threat to the security of public educational institutions in Alabama. Until the funding of educational institutions is on more sure footing, it is encumbent upon presidents and directors of the state's two-year institutions to prepare contingency plans with the probability of reduced appropriations as their impetus.

In addition to financial contingency plans, CEOs should begin or intensify searches for additional sources of income and should continuously use their available human resources to seek ways for containing and cutting institutional costs. Two-year institutions have had little room for wasted resources and inefficient management at any point in their history, but especially is this true during periods of proration.

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APPENDIX

Question

What events occur which cause the proration of the legislative appropriations for educational institutions in Alabama?

Background Information

By law, the Alabama Department of Revenue maintains a trust fund from which all allocations are made, through legislative action, to educational institutions in the state. Approximately 93% of the revenue for the Alabama Special Educational Trust Fund (ASETF) is generated from state income, sales, use, and utility taxes.

Answer to the Above Question

Each year the governor and legislature of Alabama sign into law an education appropriations bill which becomes the educational budget for the state. Maximum financial allocations are made from the ASETF to state educational institutions by the Alabama Department of Revenue--contingent upon there being sufficient revenue in the ASETF to pay the maximum amounts.

It is at the point of allocations being made to educational institutions that proration comes into play. If the

revenues of the ASETF are not sufficient to pay the monthly, maximum allocation then the state finance director is required by law to inform the governor of a shortfall in the receipt of revenues.

The governor is then required by the same law to prorate the payments to educational institutions by the percentage of the shortfall. Each educational agency, thereby, receives an amount of money equal to the maximum monthly allocation less the percentage of proration.

Alabama law is specific regarding the availability of appropriations and the restriction of allotments. Section 41-4-90 of the Code of Alabama* (1975) reads as follows:

> All appropriations, except per capita appropriations . . . , are . . . declared to be maximum, conditional and proportionate appropriations, the purpose being to make appropriations payable in full in the amounts named only in the event that the estimated budget resources during each year of the period are sufficient to pay all of the appropriations for such year in full. The governor shall restrict allotments to prevent an overdraft or deficit in any fiscal year for which appropriations are made by prorating without discrimination against any department, board, bureau, commission, agency, office, or institution of the state, the available revenues among the various department . . . , and institutions of the state. In other words, said appropriations shall be payable in such proportion as the total sum of all appropriations bears to the total revenues estimated by the department of finance as available in each of said fiscal years . . . .

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*Code of Alabama, 1975. The availability and effect of appropriations and the restriction of allotments by the governor. Section 41-4-90.

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